



**STATE STREET®**

## Response to Request for Proposal for

### ***Arkansas Teachers' Retirement System***

Master Trust Custody Services

*Prepared by:*

**State Street Bank and Trust Company**  
Institutional Investor Services

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November 17, 2008



STATE STREET.

Kathleen T. Grant  
Vice President  
State Street  
Lafayette Conference Center  
2 Avenue de Lafayette  
Boston, MA 02111

617.664.8680  
ktgrant@statestreet.com

November 17, 2008

Mr. Tom Schoenbeck  
Investment Analyst  
Ennis Knupp + Associates  
10 S. Riverside Plaza, Suite 1600  
Chicago, IL 60606

Dear Tom:

First and foremost, we very much appreciate our current relationship with the Arkansas Teachers' Retirement System (ATRS), and we are excited about the opportunity to retain our relationship through responding to your request for proposal for a broad range of services to meet ATRS' master trust/custody needs.

In order to keep pace with a changing investment landscape, your fund's structure and your service requirements are evolving. Change is a constant in our world of pension investing and asset servicing. In many ways, our goals and the paths that we are on are aligned. We have achieved a leadership position in the trust and custody industry because of our focus on servicing institutional investors in all aspects of their business. This focus is what sets us apart and has provided our organization with a broad and deep set of strengths, which we leverage to provide our customers with integrated solutions to their complex investment needs.

All of us here at State Street are excited to participate in your review. We would be honored to be re-appointed as the custodian and lender of ATRS' assets, and we hope to demonstrate to you that we are your best choice. More importantly, we want to provide your staff the ability to leverage our capabilities, so they may focus their time and energy on more value-added functions.

If you have any questions or would like additional information, please do not hesitate to contact me. Again, thank you for this opportunity, and I look forward to another 10 years of partnering with ATRS.

Sincerely yours,

Kathleen T. Grant  
Vice President



# STATE STREET.

## The State Street Advantage

State Street, the Public Funds Services Division and the Arkansas Teachers' Retirement System (ATRS) client service team offer our sincere appreciation for this opportunity to respond to your Request for Proposal for Master Trust/Custody Services. It has been a privilege to serve as your global custodian for the past 10 years. In that time, we have forged a collaborative partnership and worked hard to provide responsive service, efficient processing and ongoing solutions to your investment challenges. More importantly, we are excited about the opportunities to deepen this partnership by assisting ATRS achieve its goal of improved performance through our broad set of tools and services while providing continued uninterrupted service to ATRS.

The equity we will continue to bring to this partnership consists of seasoned professionals with ATRS experience, world class scalable technology, and a solutions-based set of products and services that are uniquely positioned in this industry. Key attributes of our proposal include:

### ***Institutional Investor Focus and Commitment***

Our business focus is serving institutional investors and the dynamic needs of institutions like ATRS. With \$14 trillion in assets under custody, State Street is the world's leading specialist in serving the wide-ranging and complex needs of institutional investors. Because we do not have credit card, retail or commercial banking businesses, we are not distracted - State Street is focused on the core business of servicing institutional investors. In fact, 84% of our revenue is generated from the Investment Servicing or custody side of our business. Our long-term commitment to this business means that ATRS will not be adversely impacted by merger or acquisition activity. In fact, we are committed to making strategic acquisitions such as the Global Securities Services Division of Deutsche Bank in 2003, which strengthened our position in Europe, and our recent acquisitions of Investors Financial and Palmari Fund Administrators, both of which enhanced our alternative investment servicing capabilities, all of which will be leveraged to better serve ATRS.

- **Benefit to ATRS:** You can be confident of obtaining top service from an organization where custody will be the cornerstone of our business for decades to come and from a company that is a leader by any number of measures in the custody industry.
- **Benefit to ATRS:** Our commitment to this business ensures ATRS that we will reinvest in the business. Evidence of that commitment can be found in our online tools including performance, compliance and risk management. These tools were designed with our customers in mind with an objective of helping them "manage their business as opposed to merely reporting on it".

Investment in technology would be lost if we did not also hire and retain exceptional people as well as reinvest in our staff. State Street sees the development of our employees as a key component of our business strategy. To foster that development, we are committed to creating an environment that supports growth, mobility, and information exchange through our leading EDGE training classes for new hires and ongoing classes around leadership, management, and industry specific topics.

- **Benefit to ATRS** You can expect superior client service from an experienced and knowledgeable team that has an average of 20 years in the industry.



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## ***Best in Class Client Service***

State Street's team approach to customer relationship management and administration is unique in the industry providing our clients with stability, continuity and a team of experienced and dedicated professional customer service professionals. Recognizing the importance of the Public Funds Market, we have been serving public pension plans in a dedicated manner for over 33 years. Today, we are the largest custodian of public pension plan assets, serving 151 clients with assets in excess of \$1.3 trillion. We are proud to claim 40% of the top twenty public funds in the US as our customers.

The key to our success with ATRS will be our ability to meet your on-going requirements. State Street has the experienced client service team in place and the track record of performance necessary for continued success. ATRS has continually challenged us to provide attentive, responsive and innovative service. Your State Street service team, from senior management, who define our corporate strategy for serving large, global institutional investors, to your daily relationship contacts will continue to work toward your business and service objectives.

Kathy Grant, your current relationship manager who has over 27 years of industry experience, including 6 years at State Street, will continue be your day to day contact and will formulate strategic plans for the relationship and oversee the daily administration. She leads a knowledgeable, experienced team with the ability to meet and exceed your requirements. Kathy, along with over 120 other dedicated professionals at State Street who focus on the Public Funds market segment, takes a consultative, proactive, solution oriented approach in serving you.

- **Benefit to ATRS:** ATRS' service team is focused on serving public funds and understands the nuances of this market segment.
- **Benefit to ATRS:** Solutions are tailored and recommendations made based on our experience with other clients that have needs similar to yours.
- **Benefit to ATRS:** Our work with clients like Michigan MERS, the State of Rhode Island, and New York State Teachers provides you with a strong peer group and access to a rich store of knowledge.

As ATRS reviews the responses to its RFP, we want you to note that we are redoubling our efforts to serve your current needs and introduce capabilities that anticipate your future requirements. Your future challenges are not all known; therefore, your need for a partner who listens and delivers has never been more critical. Our reaffirmed commitment to our partnership with you is reflected in several key areas:

### **Current Core Services:**

**Custody:** We offer a single global custody and accounting platform which streamlines and simplifies information and order flows, ensuring a consistent, robust accounting and analytics service delivered in a timely and efficient manner. We also have the industry's most comprehensive network coverage to support your international investment needs.

**Reporting:** We currently provide audited monthly accounting and performance reporting.

**Reconciliation:** A basic investment advisor accounting reconciliation process is currently in place with select managers of ATRS. We propose to enhance this service going forward to include a full reconciliation with all ATRS managers.

**Investment Compliance:** ATRS is currently using State Street's compliance solution. We believe the combination of the best compliance engine in the business coupled with our full service orientation provides the level of compliance support ATRS is seeking.



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**Online Tools:** State Street is taking a best in class product design approach to interacting with customers over the internet. Combining the latest in internet technology with customer input gleaned during the development phases of our releases, my.statestreet.com is evolving to realize its strategic goals of establishing a customer-centric platform providing the tools, information and advice needed to maximize productivity by providing easy access to account information and by supporting the actions necessary to complete specific investment management functions

- **Benefit to ATRS:** You will have access to leading edge technology and services, to meet your current and future requirements which are unavailable by other providers.

## ***A Leader in Securities Finance***

We believe that securities lending should be approached with an eye to generate optimum returns while providing a comprehensive and accurate understanding of risk exposure. Our detailed analytical processes, active management approach, and unwavering focus on risk parameters are unrivaled in the industry. We endeavor to be a trusted partner to each customer and to maintain an open, ongoing dialog regarding each customer's unique lending program. When combined with our rigorous risk management, our position as the world's largest lender with over \$3 trillion in lendable assets results in trading leverage that benefits our customers in two critical ways. First, we are able to negotiate favorable incremental returns that come with no incremental risk. And secondly, we are able to negotiate more favorable credit positions on the reinvestment of cash.

Our well resourced credit team has established a stable of over 150 approved borrowers, one of the largest in the industry. In addition, our automated systems enable borrowers to send a file of the securities they seek and receive quick automated confirmation by return file, simplifying and speeding the borrowing process.

- **Benefit to ATRS:** State Street's approach to securities lending ensures ATRS they are partnering with an organization who will be risk averse and diligent in the administration and management of your lending program. To date, we do not have any impaired assets nor have we taken any writedowns in our collateral pools, thus ensuring that you continue to earn solid yield without undue risk.
- **Benefit to ATRS:** With a large inventory of more than US\$3 trillion in lendable assets and more than 30 years of relationship building in the securities lending business, State Street is the primary destination for the world's leading borrowers.

## ***There will be No Transition Costs***

Since you are an existing customer, there will be no transition required if we are reselected. As your ongoing custodian, we would propose to use the period otherwise consumed with conversion planning, execution, and reconciliation of your \$10 billion relationship to focus on service enhancements aligned with your strategic objective of positioning the Arkansas Teachers' Retirement System as a premier investment management organization.

- **Benefit to ATRS:** Your relationship will continue to be supported by a knowledgeable, experienced team that coordinates reliable and proven custody, accounting, compliance and securities lending services with no interruption.
- **Benefit to ATRS:** Your staff will not be preoccupied with monitoring and reconciling the transition and troubleshooting inevitable conversion issues.



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***What This Means to ATRS***

Our strength lies in our people and their ability to employ our advanced technology, processing capabilities, and industry knowledge to craft the most effective solutions for each customer. We have the financial strength, responsive staff, technical capabilities and experience to serve as your strategic investment partner, and we have put forth an economically attractive and comprehensive proposal as an indicator of our desire to expand our relationship with ATRS. Thank you for consideration. We look forward to participating in the next steps of your evaluation process.

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## REFERENCES

1. Please provide a list of three public fund client references of similar size with contact information.

Please refer to the following table for the requested references;

Customer	Customer Contact	Address	Telephone Number
New York State Teachers Retirement System	Mr. Tony Chromczak, Manager, Investment Information Department	10 Corporate Woods Drive Albany, NY 12111-2395	518-447-2724
Employees Retirement System of Rhode Island	Mr. Vin Izzo, Cash Manager	40 Fountain Street Providence, RI 02908	401-222-8586
Municipal Employee Retirement System of Michigan	Mr. Jeb Burns, Chief Investment Officer	1134 Municipal Way Lansing, MI 48917	517-703-9030





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## TRANSITION PROCESS

1. Please provide a sample transition schedule for a client with the structure described in the introduction.

Since you are an existing customer, there will be no transition required if we are reselected. As your ongoing custodian, we would propose to use the period otherwise consumed with conversion planning, execution, and reconciliation of your \$10 billion relationship to focus on service enhancements aligned with your strategic objective of positioning the Arkansas Teachers' Retirement System as a premier investment management organization.

We would like to point out some of the benefits of remaining with State Street as your custody provider.

- Your relationship will continue to be supported by a knowledgeable, experienced team with a deep understanding of ATRS and its' service requirements
- You have access to reliable and proven custody and security clearance services around the globe
- We provide ATRS with accurate and timely accounting and reporting
- We offer compliance support that is not software but rather a service so that our clients are alerted in a timely manner to situations that require their attention/action
- You take advantage of a superior securities lending offering that has held a true course in providing optimal risk adjusted returns in every economic and market cycle imaginable

We would also like to point out some of the major transition costs that would be avoided by retaining State Street as your custody provider.

- Resource cost of staff preoccupation with monitoring and reconciling the transition and troubleshooting inevitable conversion issues at new custodian.
- Disruption of class action filing process and potential loss of proceeds if new custodian does not properly link combined transaction history on all filings.
- Potential loss of tax reclaim income and resource cost of staff, as new custodian starts new account opening and documentation process from scratch.

Finally, you will have access to:

- A corporate governance tool that gives plan sponsors, in an automated fashion, the information they require in order to satisfy their fiduciary responsibilities
- Analytical tools for private equity and real estate investments which for more than 10 years have been providing a service to our clients; we don't put the onus on our clients, we do the work for them



Had ATRS been a new customer to State Street we would tailor their conversion to your specific needs. Please refer to the following chart that represents the time frames, activities and responsible parties for a typical conversion.

Time Schedule	Activity	Responsibility
Conversion Date (*C)-40	<p>The prior custodian receives notification that State Street has been appointed custodian/trustee.</p> <p>State Street receives authorization to contact the prior custodian and is provide an appropriate list of contacts names and phone numbers.</p>	Arkansas Teachers' Retirement System
*C-35	<p>State Street makes telephone contact and sets up a preliminary meeting with the prior custodian to discuss the conversion.</p> <p>Arkansas Teachers' Retirement System and the SSC customer service team will agree on the number and type of portfolios and plans to be set up and their reporting requirements and will begin collecting the required documents.</p> <p>The conversion planner is prepared detailing roles, responsibilities, events and timing.</p>	<p>State Street</p> <p>Arkansas Teachers' Retirement System / State Street</p> <p>State Street</p>



Time Schedule	Activity	Responsibility
*C-30	<p>The prior custodian provides State Street with a fully audited list of assets by portfolio with share amounts and descriptions, vaulting location (DTC, Fed, etc.) cost and market value.</p> <p>State Street provides the prior custodian with a list of delivery instructions and the conversion requirements.</p> <p>The prior custodian provides State Street with a list of its agent banks and an account number for each security being transferred to ensure proper portfolio assignment and advises State Street as to availability of transfer.</p> <p>State Street provides account instructions and document requirements to all designated investment managers; agreement is reached as to how transactions will be reported to State Street.</p>	<p>Prior Custodian</p> <p>State Street</p> <p>Prior Custodian</p> <p>State Street</p>
*C-15	The prior custodian provides State Street with a fully audited portfolio accounting report as of one month prior to conversion date. This report will include full cost and market value detail, ERISA value, dividend and interest receivable report and open trades detail.	Prior Custodian
*C-10	<p>State Street begins parallel running of accounts if required.</p> <p>The prior custodian provides State Street with daily/weekly transaction statements</p>	<p>State Street</p> <p>Prior Custodian</p>
*C-5	<p>The prior custodian provides a reconciliation of all pending portfolio transactions and income receivables</p> <p>The prior custodian provides (via email) list of securities to be transferred (in cusip order and settlement location) indicating all items held as of five (5) business days prior to conversion date</p> <p>The prior custodian provides State Street with a list that identifies all securities out for transfer.</p>	Prior Custodian
*C-1	The prior custodian provides the custodial asset inventory confirmed for delivery and estimates of cash to be transferred.	Prior Custodian



Time Schedule	Activity	Responsibility
*C	<p>On conversion date the prior custodian wires to State Street all cash held in the account(s) with an itemized breakdown by 11:00 am. Cash is defined as invested and un-invested cash positions. Breakdown of wires must include account numbers as well as specific amounts, details (dividends, interest, etc.)</p> <p>The prior custodian will deliver or causes the delivery of all client held assets confirmed for delivery.</p> <p>State Street monitors inventory and cash receipts throughout the day and a complete reconciliation will be performed immediately.</p>	<p>Prior Custodian</p> <p>State Street</p>
*C+1	<p>The prior custodian will wire all trailing income or outstanding transaction proceeds to State Street on a daily basis.</p> <p>Once assets are converted to our system, they will immediately be available for our securities lending programs.</p>	Prior Custodian



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## FEES

1. *Please provide a detailed annual fee quote for the custody services described in the introduction, including a securities lending income estimate, and proposed securities lending income split.*

Please refer to the attached fee proposal and securities lending estimate.

2. *How long do you typically guarantee fee quotes? Are there any fees/charges that you will not guarantee for a specific time period?*

State Street typically guarantees fees for a period of three (3) years provided the assumptions and composition of the portfolio remains consistent with the information provided with the proposal. However, based upon our longstanding relationship, we will guarantee all fees associated with this proposal for a period of five (5) years.

In addition to our fee guarantee, State Street typically reviews the activity and structure of each client relationship on an annual basis. To the extent that State Street is able to recognize efficiencies and cost savings during the life of our contract with ATRS, we will continue to look for opportunities to pass these savings along to ATRS through pro-active fee adjustments. We have demonstrated our ability to do this during the current contract period, including adjustments to both the annual flat fee and the STIF management fee over the past year.

3. *Please provide the fee for performance measurement and analytic services separate from the detailed quote requested above.*

Please refer to the attached performance measurement and analytic fee proposal.

4. *Please provide a list of the cash sweep vehicles available to ATRS and include the fees for each.*

Currently ATRS utilizes our STIF investment vehicle

STIF is a "money market" type of pooled investment fund, investing in securities such as commercial paper, bank obligations like certificates of deposit and time deposits, and repurchase agreements. It is available exclusively for qualified employee benefit plans, for either long-term reserves or overnight placement. Our objective is to provide a readily accessible investment vehicle in which participation can commence or terminate on a daily basis. While principal is positioned securely, income will fluctuate reflecting short-term interest rate changes.

The STIF management fee is referenced on the attached custody fee quote





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**Arkansas Teachers' Retirement System**  
**Master Trust/Custody Services**  
**State Street Fee Proposal Summary**

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State Street is pleased to provide our fee schedule for serving as custodian for the Arkansas Teachers' Retirement Systems' (ATRS) \$9.7 billion in assets. In addition, we are pleased to offer performance, analytics, and compliance services through State Street Investment Analytics. This fee schedule was prepared based on the investment structure and data provided in the RFP dated 11/17/08 and will be in effect if ATRS continues to participate in our securities lending program. It will be in effect for five years assuming there are no substantial changes in ATRS' investment structure.

Changes to the current ATRS fee schedule are highlighted in yellow below.

<b>Institutional Investor Services</b>	<b>Assets / No.</b>	<b>BPs / Price</b>	<b>Est. Price</b>	<b>Subtotal</b>
<b>Annual Flat Fee</b>				
Domestic Assets	\$6,688,330,419	0.00	\$0	
Line Item / Recordkeeping Assets	\$2,068,056,486	0.00	\$0	
International Assets - see schedule below	\$943,613,095	0.00	\$0	
Domestic Assets (in Int'l Portfolios)	\$0	0.00	\$0	
Subtotal	\$9,700,000,000	Flat Fee	\$300,000	\$300,000
<b>Portfolio Accounting &amp; Reporting</b>				
Separately Managed Domestic Equity	10	\$2,500	Waived	
Separately Managed International Equity	2	\$3,000	Waived	
Separately Managed Domestic Fixed Income	2	\$2,500	Waived	
Separately Managed International Fixed Income	0	\$3,000	Waived	
Mutual / Commingled Funds	10	\$1,000	Waived	
Cash Accounts	0	\$750	Waived	
Private Equity Line Items	19	\$500	Waived	
Real Estate Line Items	16	\$500	Waived	
Timberland Line Items	2	\$500	Waived	
Hedge Fund Line Items	3	\$500	Waived	
Alternative Line Items	16	\$500	Waived	
Subtotal				\$0
<b>Transaction Fees</b>				
Depository and Fed Book Entry Transactions (First 18,000 waived)	16,893	\$7.00	\$0	
International Transactions - see schedule below	2,630	\$0.00	\$0	
Mutual Fund / Commingled Transactions	1,100	\$12.00	\$13,200	
Physical Transactions	0	\$25.00	\$0	
Inter-Fund Transfers	0	\$8.00	Waived	
Paydowns	0	\$5.00	Waived	
Futures / Options	0	\$35.00	\$0	
Outgoing Fed Wires	0	\$7.50	\$0	
OTC Interest Rate/Credit Default Swaps	0	\$50.00	\$0	
OTC Total Return Swaps	0	\$75.00	\$0	
Subtotal				\$13,200
<b>Performance Measurement</b>				
Monthly Performance Measurement - see detailed schedule			\$120,000	
Subtotal				\$120,000



# STATE STREET

## Arkansas Teachers' Retirement System

### Master Trust/Custody Services

### State Street Fee Proposal Summary

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#### International & Subcustodian Detail

	Group A	Group B	Group C
<b>Holdings (BP)*</b>	<b>0.00</b>	<b>3.50</b>	<b>45.00</b>
<b>Transactions (\$)</b>	<b>\$0</b>	<b>\$45</b>	<b>\$80</b>
	Australia	Austria	Argentina
	Canada	Belgium	Bahrain
	Canada - Fiducie Desjardins	Finland	Bangladesh
	Cedel/Clearstream	Hong Kong	Benin
	Denmark	Indonesia	Bermuda
	Euroclear	Ireland	Botswana
	France	Malaysia	Brazil
	Germany	Mexico	Bulgaria
	Italy	Netherlands	Burkina Faso
	Japan-Mizuho	Norway	Cayman Island
	Japan-Sumitomo	Singapore	Chile
	New Zealand	Sweden	China
	South Africa	Thailand	Colombia
	Spain		Costa Rica
	Switzerland		Croatia
	United Kingdom		Cyprus
			Czech Republic
			Dubai
			Ecuador
			Egypt
			Estonia
			Ghana
			Greece
			Guinea-Bissau
			Hungary
			Iceland
			India
			Israel
			Ivory Coast
			Jamaica
			Jordan
			Kazakhstan
			Kenya
			Kuwait
			Latvia
			Lebanon
			Lithuania
			Mali
			Malta
			Mauritius
			Morocco
			Namibia
			Niger
			Nigeria
			Oman
			Pakistan
			Palestine
			Panama
			Peru
			Philippines
			Poland
			Portugal
			Poland
			Puerto Rico
			Qatar
			Romania
			Russia
			Saudi Arabia
			Senegal
			Serbia
			Slovak Republic
			Slovenia
			Sri Lanka
			South Korea
			Swaziland
			Taiwan
			Togo
			Trinidad & Tobago
			Tunisia
			Turkey
			Uganda
			Ukraine
			United Arab Emirates
			Uruguay
			Venezuela
			Vietnam
			Zambia
			Zimbabwe

\* based on the month-end total asset value in US dollars

#### Total International Assets Under Administration

<b>Group A</b>			
Assets	\$857,411,992	0.00	\$0
Transactions	2,226	\$0	\$0
<b>Group B</b>			
Assets	\$26,853,055	3.50	\$9,398
Transactions	278	\$45	\$12,510
<b>Group C</b>			
Assets	\$59,348,048	45.00	\$267,066
Transactions	126	\$80	\$10,080
International Assets - Subtotal			\$299,054

#### Ancillary Service Fees

Investment Compliance Monitoring - \$1,000 per fund	\$16,000
Monthly Investment Manager Reconciliations	Waived
Class Actions- 2% Processing Fee	Waived
Private Edge	Negotiated
Third Party Lending	Negotiated
One-Time Charges	Negotiated
Risk Reporting	Negotiated

Subtotal \$0

**Total Custody and Performance Measurement Fees \$732,254**



**STATE STREET**  
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**State Street Fee Proposal Summary**

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**Other Charges:**

**Out - of - Pocket Expenses**

Out of pocket expenses including, but not limited to, stamp duties, re-registration fees, air freight, market imposed costs, derivative valuation services and other expenses not reasonably foreseen as part of the trust and custody relationship will be billed to the customer.

**Securities Lending**

State Street to be the exclusive lending agent with access to all customer assets for securities lending activities. The fee split is 82/12 for all asset classes under the current agreement; changes could result in renegotiation. A securities lending collateral management fee of 1.75 will be netted from the yield prior to the securities lending fee split allocation.

**Short Term Investment Fund**

State Street to be the exclusive short term investment fund (STIF) manager for all residual cash balances held across all customer portfolios. An administrative/management fee of 10 basis points will be netted directly from the yield of the fund.

**Foreign Exchange**

A third party FX charge of \$25 will be applied for all foreign exchange trades not transacted through State Street. Transaction costs for all foreign exchange trades transacted through State Street will be waived.

**State Street Global Markets**

Fee schedule assumes that State Street Global Markets will be considered for any transition management opportunities that may arise.

**Overdrafts**

An overdraft charge of Fed Funds plus 200 basis points will apply to all U.S. overdrafts.

***Fee schedule assumes no material changes to volume, structure or asset composition assumptions used to construct this fee schedule. Any such changes could result in the need for amended fee terms.***

**State Street Bank and Trust Company**

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**Arkansas Teachers' Retirement System**

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_





STATE STREET®

## Arkansas Teacher Retirement System

### Securities Lending Revenue Estimate\*

Gross Revenue (1)	Client Share (2)	Client Revenue (3)
<b>Total: \$9,900,000</b>	<b>82%</b>	<b>\$8,118,000</b>

#### Notes:

(1) Gross revenue calculation derived using actual earnings over the 12-month period from October 2007 to September 2008

Actual earnings for the period October 2007-September 2008 were \$8,104,747

(2) Fee split quoted is with counterparty indemnification and assumes access to all portfolio securities

(3) Analysis is not a guarantee of income or future performance

\* ATRS is currently participating in State Street's securities lending program. The revenue and cost estimates in this proposal are predicated on a continuation of the existing program. This includes the use of the current cash reinvestment vehicle, which has not experienced any defaults to date. There is a 1.75 basis point management fee on the existing cash reinvestment vehicle, which is netted out of the fund prior to the fee split.

Should ATRS wish to pursue the use of a separately managed cash collateral pool to meet specific investment guidelines, we would be pleased to work with you on developing a solution to meet your requirements. Based on a review of the potential cash collateral investment guidelines provided in the RFP, it appears that a separately managed cash collateral pool may be required. The management fee for a separately managed pool is 3 basis points. However, we would like to work with ATRS to further define the guidelines and develop a customized solution. A program change may also impact projected revenue and affiliated costs and is subject to further clarification and finalization of the investment guidelines provided to us.